FREE ENTERPRISE FUND

E. O'Brien Murray
Executive Director

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Sent via: Federal Communication Commission's Electronic Comment Filing System

February 8, 2006

Re: MB Docket No. 05-311

Dear Commissioners,

At the Free Enterprise Fund, we are dedicated to promoting policies that advance economic freedom and prosperity, including lower taxes and streamlined regulation. In the spirit of free markets we are asking the FCC to take a proactive role in reducing the local franchising requirements now being used to block what should be a new era of competition in the changing cable television market. We have written about how this worked in Keller, Texas and we would like to see this expand to other markets across the country.

Our vision for consumers is one of cable and phone companies offering video, voice, data, and next generation services, competing on price, quality, and convenience. To achieve this vision, the maze of regulatory red tape at the local, state, and national level must be cleared away. We are concerned that the telecommunications sector suffers from high taxes and burdensome, outdated regulations that limit competition and consumer choice.

In October we hosted a telecommunications policy lunch attended by elected officials and staff. The discussion included the recent Keller, Texas actions by Verizon, the potential economic investment as well as the concerns about broadband penetration and the impact it has on our educational systems. The free market principles of letting the market decide were the common theme.

The telecommunications industry is the critical infrastructure of our modern economy and the future of our educational system. The most recent broadband data from the International Telecommunication Union shows that we've now fallen to 16th in broadband penetration. One reason we are lagging behind is that the current regulatory environment gives phone companies powerful disincentives to making infrastructure investments.

The most significant of these roadblocks is the antiquated patchwork of regulations and fees that prevents the Bells from offering video services. As the highest-value telecom service, video is a key driver of infrastructure deployment. But local franchising rules, which are a relic from a time when towns granted exclusive franchise rights to cable companies, are a huge regulatory barrier that prevents the phone companies from offering video, the last step to full convergence and true market competition.

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Local franchising is a slow and expensive process that is an artifact of an earlier time when cable companies negotiated exclusive town-by-town deals. In exchange for exclusivity and the ability to charge high monopoly prices, cable companies agreed to onerous build-out rules to houses on the outskirts of town as well as expensive institutional networks in hospitals and schools. It's a 25-year-old model that makes no sense in the hypercompetitive environment that exists today, where there is no possibility of charging monopoly prices.

With the emergence of Voice over Internet Protocol (VoIP) as a commercial grade service, cable companies can now easily offer phone service packaged with their Internet and video services. Franchise reform is needed to remove the artificial restraints preventing phone companies from competing with these cable offerings. Vigorous competition across the board would be a tremendous boon to consumers, giving everyone an opportunity to make their own telecommunications choices.

Verizon's announcement of television service in Keller, Texas prompted that town's cable company, Charter Communications, to slash its video and data package price in half from $100 to $50. All Americans will benefit from seeing their cable companies face that same competitive pressure.

Sincerely,

E. O'Brien Murray

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Executive Director

cc: John Norton
Andrew Long